

Mercer International Inc.

Transforming biomass into bioproducts for a more sustainable world

Q3 2023 Earnings Conference Call

November 3, 2023

Juan Carlos Bueno – President & CEO

Richard Short – CFO, Executive VP & Secretary



Forward-looking Statements



The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements.

Certain information included in this presentation contains statements that are forward-looking, such as statements relating to results of operations and financial conditions, market expectations and business development activities, as well as capital spending and financing sources.

Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of Mercer.

For more information regarding these risks and uncertainties, review Mercer’s filings with the United States Securities and Exchange Commission.

Unless required by law, we do not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.

Financial & Operating Highlights

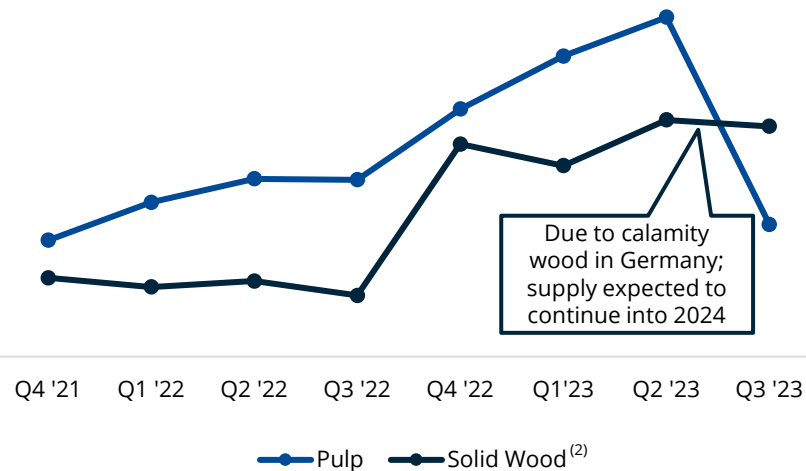
Financial Results Overview

Significant EBITDA Improvement vs. Q2

EBITDA (US\$ millions)	Q2 2023	Q3 2023	Change (+/-)
Pulp Segment	(\$56)	\$49	+\$105
Solid Wood Segment	(\$10)	(\$7)	+\$3
Corporate & Other	(\$3)	(\$4)	(\$1)
Total EBITDA⁽¹⁾	(\$69)	\$38	+\$107
Less: Inventory Impairment	\$51	-	(\$51)
Adjusted EBITDA	(\$17)	\$38	+\$55

Fibre Costs Down in Both Pulp & Solid Wood

Per Unit Fibre Costs





1) Operating EBITDA is a non-GAAP measure. For a Reconciliation of Net Income (Loss) to Operating EBITDA, refer to slide 17

2) Excludes mass timber

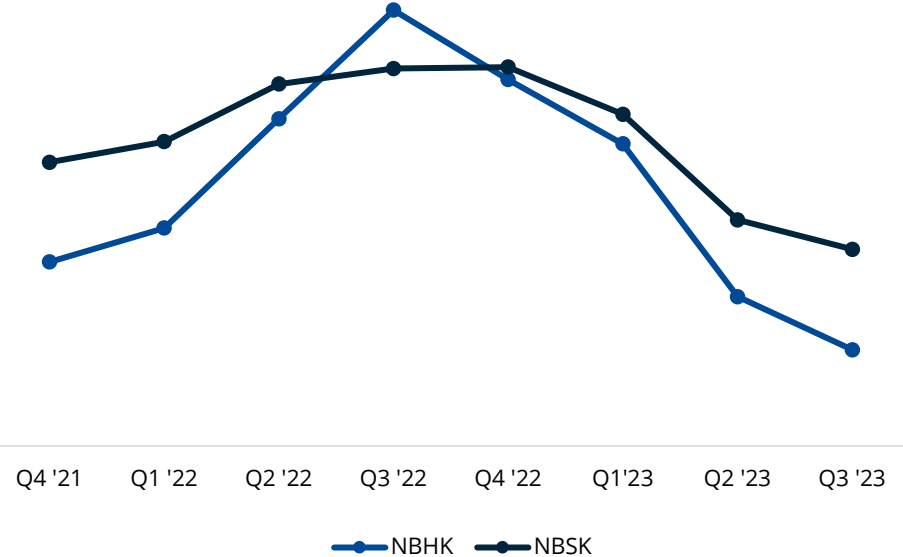
Pulp Prices

Pricing Overview

Region	Q2 2023	Q3 2023
NBSK List Price (US\$ / ADMT)		
 China (net)	\$668	\$680
 Europe	\$1,247	\$1,160
NBHK List Price (US\$ / ADMT)		
 Domestic	\$1,277	\$1,023
 China (net)	\$483	\$530
NBSK / NBHK Price Gap (US\$ / ADMT)		
 China	\$185	\$150

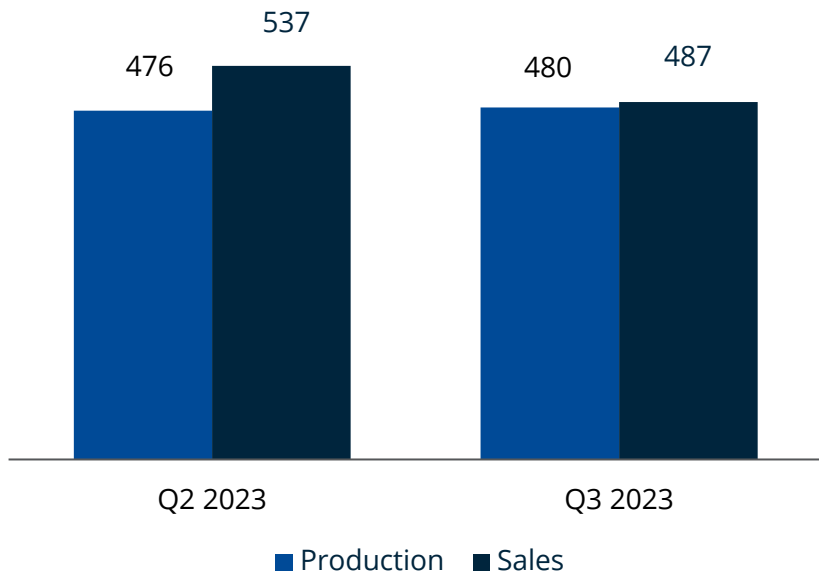
Pricing Trend

Realized Pulp Price (US\$ / ADMT)

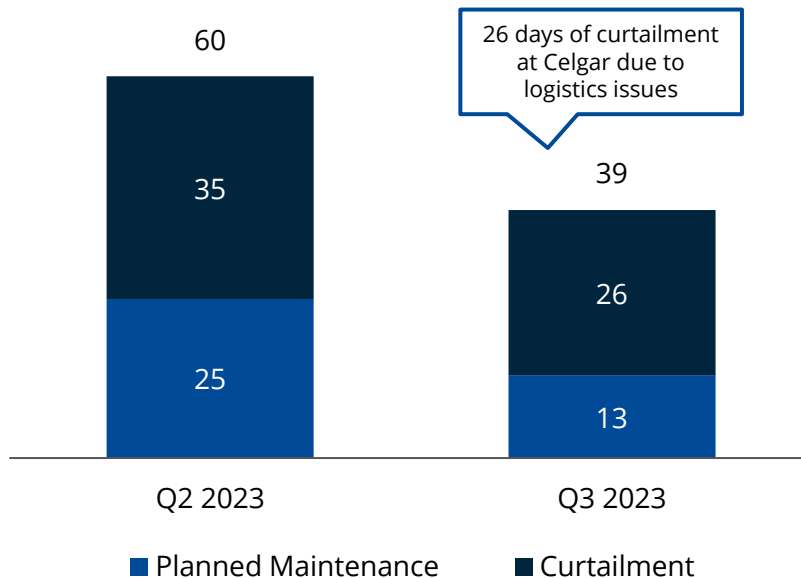


Key Performance Indicators

Production / Sales Volume (000s ADMT)



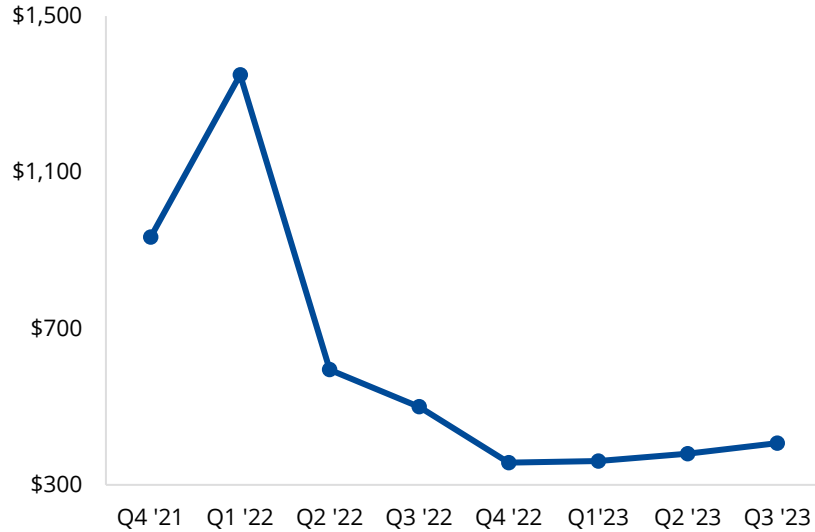
Mill Downtime (Days)



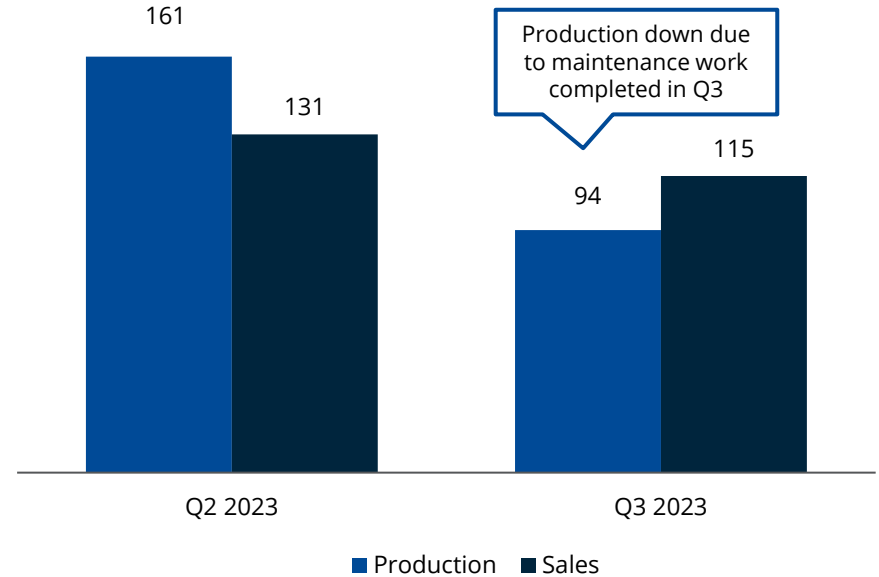
Lumber Overview

Benchmark Lumber Price

Random Lengths WSPF 2&btr 2x4 (US\$ / mfbm)

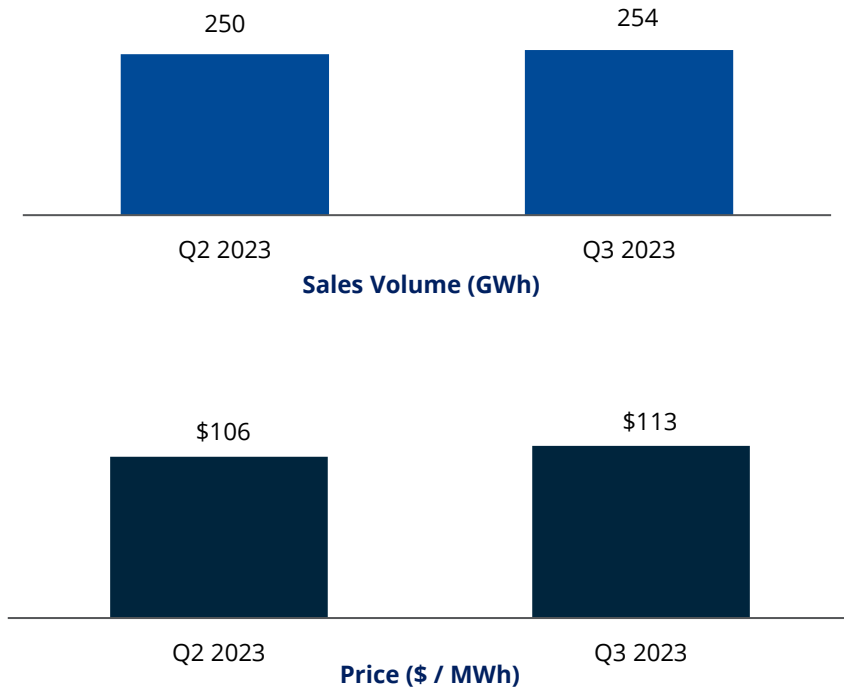


Lumber Operations (mmfbm)

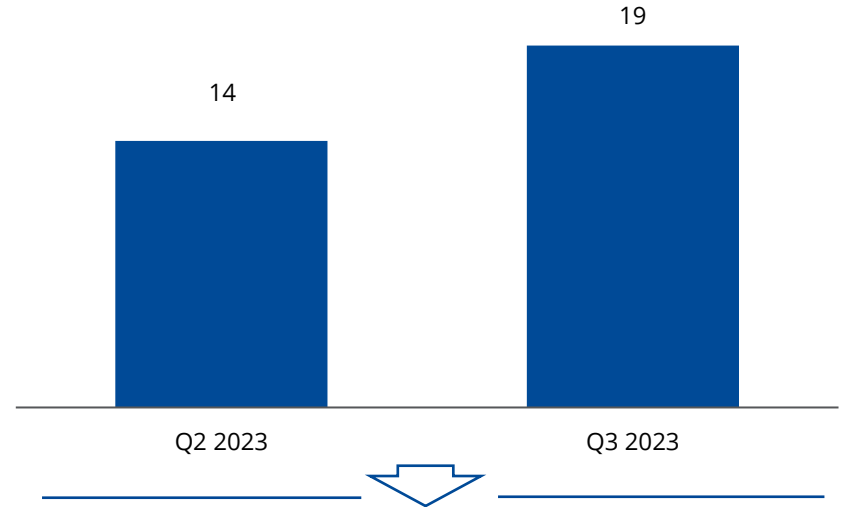


Electricity and Mass Timber

Electricity



Mass Timber Revenue (US\$mm)



MMT has a growing order book we expect to fulfill over coming months

Financial Position

Summary

US\$mm unless otherwise stated

Measure	Q2 2023	Q3 2023	Change (+/-)
Net Income (Loss)	(\$98)	(\$26)	+\$72
Earnings (Loss) per Share	(\$1.48) / share	(\$0.39) / share	+\$1.09 / share
Cash Generated (Used)	(\$87)	\$130	+\$217
Liquidity Position	\$446	\$648	+\$202
Cash	\$213	\$344	+\$131
Unwithdrawn Revolvers	\$233	\$305	+\$72
Capital Expenditure	\$39	\$37	-\$2
Dividend	7.5¢ / share	7.5¢ / share	- ¢ / share

Securing Liquidity

- Completed \$200mm private senior notes offering due 2028;
- Increased availability of German revolving credit facilities by ~€70mm to €370mm



Markets, Capital Plan & Strategic Initiatives

Pulp Markets



Prices and Supply

- Appears market has hit floor; modest price increases in either Q3 or early Q4
- Increases driven by paper producer restocking
- On annualized basis, ~1 million tonnes removed, mostly permanently, from softwood pulp supply



Demand

- Weak demand in both Europe and North America
- European producers running at reduced rates due weak economy and the effects of the Ukraine war
- Chinese government's measured economic stimulus steps faces headwinds from significant risks in the real estate industry

We expect pulp prices in Europe and North America to modestly increase in Q4 driven by weak supply

Operating Results

Quarter Updates

- Forced to take 26-day curtailment in August at Celgar due to port strike
- Proactive measures to reduce capex to \$140 million for 2023
- Focus on cost saving measures, aggressive inventory management to stay disciplined while markets remain weak

Q4 Maintenance

- ✓ Stendal – 3 days: final repairs to wood yards conveyor system damaged in 2022
- ✓ Celgar – 26 days: major maintenance shut ~41,000 ADMT of production affected.

Lumber Markets

- US market up slightly, European market down compared to Q2
- High interest rates continue to weigh on housing starts

Drivers of Positive Pressure on Mid-Term Supply-Demand Fundamentals:



**Low Lumber
Channel
Inventories**



**Sawmill
Curtailments**



**Low Housing
Stock**



**Recent Canadian
Forest Fires**



**Constructive
Homeowner
Demographics**

We will continue to match lumber products and customer mix to current market conditions

Growing Spectrum of Products

Pallets & Pellets

- Shipping pallet markets remain weak
- Pallet prices expected to normalize once European economy shows signs of recovery
- In Q3 heating pellet prices up ~20% vs. Q2 due to seasonal demand

Mass Timber

- We hold ~35% of North American mass timber production capacity
- Capacity, broader range of product offerings, larger geographic footprint provides competitive access to the entire North American market
- Strong order file including some large marquee projects

Bioproducts for a More Sustainable World

Lignin Extraction Plant

- New lignin extraction plant at Rosenthal continues to ramp-up as planned
- Aligned with strategy to expand into green chemicals and other circular economy-compatible products



Sustainable Fossil Fuel Substitutes

- ✓ Potential demand is significant
- ✓ Potential to be transformative for the wood products industry

We believe products like lignin, mass timber, green energy, lumber, and pulp will play increasingly important roles in displacing carbon-intensive products

Contact Information

www.mercerint.com



Mercer International Inc.

P: +1 (604) 684 1099
info@mercerint.com

Suite 1120, 700 West Pender St
Vancouver, B.C. Canada
V6C 1G8

Reconciling Net Income (Loss) to EBITDA

Consolidated (US\$ millions)	Q2 2023		Q3 2023	
Net Income (Loss) Attributable to Common Shareholders	(\$98.3)		(\$26.0)	
Income tax provision (recovery)	(27.5)		4.0	
Interest expense	20.1		21.9	
Other income	(3.1)		(3.3)	
Operating income (loss)	(108.8)		(3.4)	
Add: Depreciation and amortization	40.2		41.0	
Operating EBITDA	(\$68.7)		\$37.5	
Segmented (US\$ millions)	Q2 2023		Q3 2023	
	Pulp	Solid Wood	Pulp	Solid Wood
Operating income (loss)	(\$83.5)	(\$22.5)	\$21.2	(\$19.7)
Add: Depreciation and amortization	27.8	12.1	28.2	12.5
Operating EBITDA	(\$55.7)	(\$10.4)	\$49.4	(\$7.2)

Note: See next slide for additional disclosures

Note: The above reconciles net income (loss) to EBITDA. Some numbers may not add due to rounding

Reconciling Net Income (Loss) to EBITDA

Note: For other reconciliations of Net Income (Loss) to Operating EBITDA in periods not shown, please refer to that period's respective Form 10-Q or 10-K, which can be found on our website (www.mercerint.com)

Operating EBITDA is defined as operating income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. Operating EBITDA Margin is defined as Operating EBITDA divided by revenue. Management uses Operating EBITDA and Operating EBITDA Margin as benchmark measurements of its own operating results, and as benchmarks relative to its competitors. Management considers these measures to be a meaningful supplement to operating income (loss) as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not an actual cash cost, and depreciation expense varies widely from company to company in a manner that management considers largely independent of the underlying cost efficiency of their operating facilities. In addition, we believe Operating EBITDA and Operating EBITDA Margin is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Operating EBITDA does not reflect the impact of a number of items that affect our net income (loss) attributable to common shareholders, including financing costs and the effect of derivative instruments. Operating EBITDA is not a measure of financial performance under the accounting principles generally accepted in the United States of America ("GAAP"), and should not be considered as an alternative to net income (loss) or income (loss) from operations as a measure of performance, nor as an alternative to net cash from operating activities as a measure of liquidity.

Operating EBITDA and Operating EBITDA Margin have significant limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Operating EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate Operating EBITDA in the same manner, Operating EBITDA and Operating EBITDA Margin as calculated by us may differ from Operating EBITDA or EBITDA and Operating EBITDA Margin, or EBITDA Margin as calculated by other companies. We compensate for these limitations by using Operating EBITDA and Operating EBITDA Margin as supplemental measures of our performance and by relying primarily on our GAAP financial statements.